

DE 03-106

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Reconciliation of Stranded Cost Recovery Charge for 2002

Prehearing Conference Order

O R D E R N O. 24,185

June 19, 2003

APPEARANCES: Gerald M. Eaton, Esq. for Public Service Company of New Hampshire; Consumer Advocate Michael W. Holmes, Esq. on behalf of residential ratepayers; and Donald M. Kreis, Esq. of the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On May 1, 2003, Public Service Company of New Hampshire (PSNH) filed with the New Hampshire Public Utilities Commission (Commission) its proposed reconciliation of its Stranded Cost Recovery Charge (SCRC) for calendar year 2002. The SCRC is the mechanism by which PSNH recovers from ratepayers the recoverable stranded costs as authorized by the Agreement to Settle PSNH Restructuring (Restructuring Agreement) approved by the Commission in 2000.

The Commission entered an Order of Notice on May 23, 2003, scheduling a Prehearing Conference, which was held at the Commission on June 11, 2003. In lieu of filing a written notice of its intent to participate, the Office of Consumer Advocate (OCA) entered an appearance at the Prehearing Conference. There

were no petitions for intervention, either prior to or at the Prehearing Conference.

II. PRELIMINARY POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

At the Prehearing Conference, PSNH provided a brief summary of its proposal. PSNH noted that, pursuant to the Restructuring Agreement, its service territory was opened to retail competition in energy supply as of May 1, 2001 and PSNH's customer charges now consist of three major components: a delivery charge, an SCRC and a Transition Service charge. Transition Service is "electricity supply that is available to existing retail customers prior to each customer's first choice of a competitive supplier and to others, as deemed appropriate by the commission." RSA 374-F:2, V.

PSNH further noted that, during 2002, the price of Transition Service was fixed by legislation at 4.4 cents per kilowatt-hour. In the instant filing, PSNH calculated its cost of providing this service in 2002 to have been approximately 4.9 cents per kilowatt-hour. Accordingly, pursuant to the Restructuring Agreement, PSNH seeks to recover the difference of this and certain other items, amounting to approximately \$19 million on net, through the SCRC. Reflected in PSNH calculation

of its Transition Service cost for 2002 are costs associated with the Company's retained portfolio of fossil and hydro generation facilities as well as the entitlements it held in 2002 to power from the Seabrook and Vermont Yankee nuclear power plants - expenses that are all subject to prudence review.

PSNH noted that it has established on its books for 2002 a deferred regulatory liability of \$160 million to be credited to the SCRC in the present reconciliation. The components of this deferred regulatory liability are (1) the \$19 million referenced above, offset by (2) \$179 million in proceeds from the 2002 sale of PSNH's entitlement to output from the Seabrook nuclear power facility.

As noted by PSNH, the company's recoverable stranded costs are separated into three "parts" pursuant to the Restructuring Agreement and related legislation. Under this paradigm, the \$160 million regulatory liability would become a credit to Part 3 stranded costs, which comprise those stranded costs for which PSNH undertook some risk of non-recovery (through the fixing of a Recovery End Date) at the time of and pursuant to the Restructuring Agreement.

B. Office of Consumer Advocate and Staff

Both the OCA and the Commission Staff indicated at the Prehearing Conference that they were still reviewing the PSNH filing and would defer taking a substantive position with respect to the filing pending discovery and a full investigation of the prudence of the relevant generation expenses.

III. PROCEDURAL SCHEDULE

Following the Prehearing Conference, the parties and Staff met in a Technical Session and agreed upon the following schedule, which was submitted to the Commission by letter from Staff dated June 11, 2003.

PSNH responses to initial data requests	June 25, 2003
Additional data requests to PSNH	July 1, 2003
PSNH responses to additional data requests	July 15, 2003
Tech. session/settlement conf.	July 18, 2003, 9:00 a.m.
Staff/OCA testimony	Aug. 15, 2003
Data requests to Staff and OCA	Aug. 22, 2003
Responses by Staff and OCA	Sept. 12, 2003
Tech. session/settlement conf.	Sept. 18, 2003, 9:00 a.m.
Hearings	Oct. 8-9, 2003

We have reviewed the Procedural Schedule as proposed herein and have determined that it is reasonable with two amendments. The second technical session and settlement conference will be scheduled one day later than proposed, on September 19, 2003 at 9:00 a.m. The hearing will take place one day earlier than requested, on October 7 and 8, 2003.

IV. RSA 369-B:3, IV(b) (1) (D)

Finally, on our own motion and based on our preliminary review of the PSNH filing and positions stated at the prehearing conference, we invite comment on whether, and if so, how to address a particular issue in this proceeding.

As the parties are aware, RSA 369-B:3 divides PSNH's customer base into two groups for the purpose of Transition Service. One group consists of residential customers, street lighting customers and general delivery service Rate G customers. See RSA 369-B:3, IV(b) (1) (B). The other group consists of all other PSNH customers - i.e., its commercial and industrial customer base. See RSA 369-B:3, IV(b) (1) (C).

RSA 369-B:3, IV(b) (1) (D) contains specific instructions with respect to the reconciliation of costs associated with Transition Service, based on the division of PSNH's customer base into the two groups described above.

As noted here by PSNH and in the docket in which we fixed Transition Service rates for PSNH's large commercial and industrial customers, see Order No. 24,117 (Jan. 30, 2003), slip op. at 56-57, the Restructuring Agreement as approved by the Commission in 2000 opts for adjusting the Recovery End Date for the two customer groups (based on differing assumed values of Transition Service) as the appropriate methodology for reconciling Transition Service costs for each of the two customer groups. See Restructuring Agreement at lines 774-785.

Thus, a specific question we invite parties to address is whether we should revisit our previous approval of this reconciliation methodology pursuant to RSA 365:28, and if so, whether it should be done in this docket, given changes in the cost of Transition Service, or changes expected in the Recovery End Date as a result of other factors. See 2003 N.H. Laws 21:3.

The parties should understand that we explicitly make no determination as to this issue at this time. Rather, our intention is simply to give notice of our view that the issue may be among those we should confront in considering the 2002 Stranded Cost Recovery Charge reconciliation proposal. Thus, we request that the parties address this issue when the case is heard and/or in any proposed settlement.

Based upon the foregoing, it is hereby

ORDERED, that the proposed procedural schedule as modified herein is reasonable and is hereby adopted.

By order of the Public Utilities Commission of New Hampshire this nineteenth day of June, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary